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Although the public is best served by governmental agencies which have integrated the major functions of planning, managing, and budgeting, it can be asserted that the planning function is paramount. A review of the evolution of public agency administration in the U.S. reveals that until recent years the planning function has been largely overshadowed by management control concerns. This lack of coordinated planning has resulted in a myriad of incremental agency budgets based on the short term, parochial interests of individual agencies. The introduction of a Planning-Programming-Budgeting System (PPBS) to the Defense Department in 1961 provided the impetus for the rapid ascendency of the planning function in Federal program administration. Since PPBS requires public administrators to plan specific program objectives and to rationally select after systematic consideration of alternative means, those means most compatible with efficient achievement of interagency program goals, comprehensive longrange planning must supplement the traditional management and budgeting functions. Although the potential magnitude of PPBS as an administrative tool is yet unassessed, educational decision makers are expressing increased interest in the possible application of PPBS to school management. (JH)

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an informational series
for the
public school administrator

DEVELOPMENT OF AN OPERATIONAL MODEL FOR THE APPLICATION OF PLANNING-PROGRAMMING-BUDGETING SYSTEMS IN LOCAL SCHOOL DISTRICTS

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
OFFICE OF EDUCATION

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INTRODUCTION

Much is currently being written about the need to reform the budgeting practices of local school districts, and program budgeting is most often cited as the technique which will eventually be widely adopted. Proponents of program budgeting claim that its use can improve decision making concerning the rational allocation of scarce resources. To date, however, there is much uncertainty as to exactly how this modern management tool can most effectively be applied to a school district setting.

This is precisely the aim of a research activity currently being conducted by the Western New York School Study Council: to what extent, and how, can the techniques of program budgeting be adapted to the management of local school districts? Even among those who agree that program budgeting should be used by school districts, few are able to describe how this can be done.

During the course of this research activity, the Council will publish a series of Program Budgeting Notes. These Notes will keep the Council members informed of developments in program budgeting, both locally and nationwide. This publication is the first in that series of Notes.

INTRODUCTION TO PROGRAM BUDGETING

Selected Functions of Public Administrators

Three functions of public administrators serving at any level of government are planning, managing, and budgeting. The major thrusts of the planning function are (1) to determine the major goals or purposes which are to be served by the investment of limited public monies, and (2) to identify activities necessary to attain those goals. The managing function aims at insuring that activities of government agencies are performed efficiently. The budgeting function enables administrators to control, in a prudential manner, the actual expenditure of public monies.

The public is best served when these administrative activities are balanced against each other so that government officials (1) consciously move society toward desirable goals, (2) continually seek to improve the effectiveness of government operations, and (3) constantly safeguard the public treasury from waste and fraud.

Each of these activities is important in its own right, but it can be argued that, in rank order, the planning activity is paramount. Governmental efficiency is desirable, but if government does well that which serves no useful purpose how does the expenditure of public resources benefit society? By the same token, what constituency is served by honest public officials who provide, at bargain rates, goods and services which society does not need? Conversely, is it good government which fails to expend public money in response to genuine societal needs? Planning is the paramount activity, but effective administration involves the integration of all three of these major functions of government--planning, managing and budgeting.

Planning and Budgeting in Government

A review of public administration in the United States during this century indicates that officials in all types of governmental jurisdictions often neglect the planning function. Until about 1930, there was widespread concern about protecting the public treasury from the "rascals in city hall." A conservative view of government predominated, and "good" government was that which reduced its activities to a minimum. Hence, public officials tended to emphasize the control, or budgeting, function of administration. In the 1930's the federal and state governments began to undertake socially purposeful activities on a large scale. There is little evidence to suggest that much central planning took place to coordinate the activities of the myriad new government agencies. Each new agency vigorously attacked what it understood to be its own share of society's problems. The agencies generally acted in isolation from each other. However, when government budgets reached proportions undreamed of during the 1920's (federal expenditures rose from $4.2 billion in 1932 to $10 billion in 1940!), there developed increased concern with the management function. The cry became: whatever government is to do, if it is to cost that much money, it must be done efficiently.

This concern for governmental efficiency culminated in 1949 with the publication of the Hoover Commission Report which recommended that:

> the whole budgetary concept of the Federal Government should be refashioned by the adoption of a budget based upon functions, activities, and projects.

This the Commission called a performance budget. A performance budget emphasizes the management function of government. It allows decision makers to assess the work-efficiency of government agencies by presenting budget categories in functional terms, and by providing work-cost measurements as standards of efficiency for prescribed activities. The work which government agencies do is broken down into discrete measurable

units. The goals of performance budgeting are quantifiable. In adopting a performance budget, officials consider, for example, how quickly and how cheaply a road can be built. This does not necessarily mean that such questions as the following have been considered: (1) Why should the road be built? (2) Can the public money expended for the road benefit society more by being used for some other project, such as a school? As a general rule, performance budgeting is concerned with the process of work. It is concerned with methods rather than with overall purposes.

This neglect of comprehensive and rational planning for the expenditure of public resources has resulted in annual budgets that are merely incremental in nature. The normal government budget in the United States is a mirror image of the one which preceded it . . . but a little higher. Typically, each government agency is asked to prepare budget sheets which estimate its expenses for the following year. Each department collects the budget estimates of its agencies and prepares a departmental budget. The department budgets taken together constitute the budget for that jurisdiction of government. Government programs become self-sustaining, and the flow of decisions in government about the allocation of public resources is upward: from the least responsible officials of government. Budgets developed in this manner make integration of the efforts of the various agencies extremely difficult. Central purposes are sacrificed to the parochial interests of agency and department heads. Innovative programs compete with each other, and their value as replacements for older, established programs--protected by the vested interests of their directors--is seldom considered. Governments tend to continue doing what they have been doing, but they do promise to try to do these things more efficiently.

Planning and Budgeting in the Defense Department

Experiences with central planning during World War II and the research activity

of the RAND Corporation during the 1950's provided the major impetus for the introduction of a Planning-Programming-Budgeting System (PPBS) to the management of the Defense Department in 1961. This represents the first major test in government of a system which asserts the paramountcy of the planning function in the administration of public resources. Prior to the appointment of Robert McNamara as Secretary of Defense, the Defense Department budget represented a compilation of the requests submitted by the Army, Navy, and Air Force. It was, in effect, three separate budgets. Service rivalry led to duplication of effort and hindered effective coordination of defense activities. Secretary McNamara insisted that planning for expenditures by the Defense Department begin with a consideration of the broad foreign policy and defense objectives of the United States government. The planning, he insisted, must also take into account, in its initial stages, the resources available for expenditure. Considering, then, basic objectives and available money, the McNamara plan specified that decisions about weapons systems and force structures would be made deductively, from the top down. Two factors: what is needed and what can be funded, would then be manipulated to arrive at the best possible defense posture for the least possible cost.

Prior to 1961, each Defense Department budget included programs that were started with little regard to their long-range cost or to the impact they might have on defense objectives of the United States in subsequent years. Today, each Defense Department budget is an increment in a long-range plan. Weapons systems and force structures are costed out over their entire life span. Projections are made about future defense needs of the United States, and estimates are made about the need for researching new weapons systems. The use of computers makes possible the testing of a variety of force structures and weapons systems under simulated conditions. This enhances

the rational selection of the most effective systems for the least possible cost.

Considering the use of PPBS in the Defense Department to be a major success, President Johnson directed all executive departments and agencies to adopt the techniques of this management system. This effort is presently underway in the executive branch of the federal government.

PPBS and Program Budgeting

Often, the terms PPBS and program budgeting are used interchangeably as though they were synonomous. This is not, strictly speaking, the case.

A program budget is a traditional line-item budget which has been recast. The line-item budget presents the cost and quantity of things which government buys. It shows, for example, such items as equipment, salaries, and office supplies; but it does not indicate what purposes expenditure of money for these items will serve.

A program budget, on the other hand, displays the "outputs," or services, that the public will receive as a result of the allocation of government funds. A traditional budget for the Coast Guard displayed such items as Vessel Operations, Aviation Operations, and Repair and Supply Facilities. Recast into a program budget, the items reported are such things as Search and Rescue, Aids to Navigation, and Law Enforcement. The former categories emphasize "inputs" while the latter emphasize "outputs."

PPBS represents a sophisticated refinement of program budgeting that integrates the functions of planning, managing, and budgeting in government. A summary of its characteristics follows.

(1) Identification of fundamental governmental objectives and their specification in concrete terms.

(2) Creation of a program structure designed to realize these objectives. Each program constitutes a group of interrelated activities focused upon the attainment of a specific objective. The programs are designed without primary regard to organizational placement.

(3) Projection of a multi-year plan for all programs. Usually, five years is considered the optimum period for the projection of this plan.

(4) Systematic consideration of alternative means to achieve program objectives. This effort is directed at determining and comparing both costs and benefits of each proposed method for achieving the program's objectives. The analysis must carefully take into account the impact each alternative will have on other programs, other agencies, and on other levels of government. The analysts must also identify and document all major assumptions made about each alternative.

(5) Selection of the most desirable alternative, i.e., system for accomplishing program objectives.

(6) Continuous updating of resource decisions. The long-range plan and the program structure must be responsive to changing needs and to changing information.

Careful study of these characteristics reveals that PPBS represents an effort to balance and to integrate the major administrative functions of planning, managing and budgeting. This system focuses the attention of the highest government officials on the most important function: planning.

PPBS and Education

The success of PPBS in the Defense Department has led to considerable interest in the application of its techniques to other jurisdictions of government. Jesse Burkhead and Harry Hartley are two of the many prominent scholars who have been urging that school districts experiment with PPBS. Chicago, Memphis and Baltimore have introduced program budgeting into the fiscal management of their school districts. The New York City Public School District has retained the Stanford Research Institute to design sophisticated applications of PPBS techniques to the management of that school system. The United States Office of Education has recently approved a grant of

$300,000 to the national Association of School Business Officials for the purpose of investigating the feasibility of the use of PPBS by school districts. These efforts illustrate the considerable interest currently being expressed in the potential of PPBS for improving decision-making in local school districts. Today, PPBS remains in an experimental stage in relation to school district management, and its future impact has yet to be determined. However, current interest and activity suggest that the impact may be significant.

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Future issues of Program Budgeting Notes will consider topics such as the following: Program Budgeting in the federal, state and local governments, use of the systems approach in program budgeting, cost-benefit studies, the need for program budgeting in education, and a review of procedures followed by some school districts already using program budgeting.

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